

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

-----	X	
In re	:	
	:	<b>Chapter 11</b>
SEARS HOLDINGS CORPORATION, <i>et al.</i> ,	:	
	:	<b>Case No. 18-23538 (RDD)</b>
	:	
Debtors. <sup>1</sup>	:	<b>(Jointly Administered)</b>
-----	X	

**FOURTH MONTHLY FEE STATEMENT OF M-III ADVISORY PARTNERS, LP  
FOR COMPENSATION EARNED AND EXPENSES INCURRED  
FOR PERIOD OF JANUARY 1, 2019 THROUGH JANUARY 31, 2019 AND  
TRANSACTION FEE**

1. In accordance with the *Order Authorizing Debtors to Retain M-III Advisory Partners, LP to Provide a Chief Restructuring Officer and Certain Additional Personnel for Debtors Nunc Pro Tunc To Commencement Date* (ECF No. 814) (the “**Retention Order**”),<sup>2</sup> M-III Advisory Partners, LP (“**M-III**”) hereby submits its fourth monthly report (the

<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are as follows: Sears Holdings Corporation (0798); Kmart Holding Corporation (3116); Kmart Operations LLC (6546); Sears Operations LLC (4331); Sears, Roebuck and Co. (0680); ServiceLive Inc. (6774); SHC Licensed Business LLC (3718); A&E Factory Service, LLC (6695); A&E Home Delivery, LLC (0205); A&E Lawn & Garden, LLC (5028); A&E Signature Service, LLC (0204); FBA Holdings Inc. (6537); Innovel Solutions, Inc. (7180); Kmart Corporation (9500); MaxServ, Inc. (7626); Private Brands, Ltd. (4022); Sears Development Co. (6028); Sears Holdings Management Corporation (2148); Sears Home & Business Franchises, Inc. (6742); Sears Home Improvement Products, Inc. (8591); Sears Insurance Services, L.L.C. (7182); Sears Procurement Services, Inc. (2859); Sears Protection Company (1250); Sears Protection Company (PR) Inc. (4861); Sears Roebuck Acceptance Corp. (0535); Sears, Roebuck de Puerto Rico, Inc. (3626); SYW Relay LLC (1870); Wally Labs LLC (None); SHC Promotions LLC (9626); Big Beaver of Florida Development, LLC (None); California Builder Appliances, Inc. (6327); Florida Builder Appliances, Inc. (9133); KBL Holding Inc. (1295); KLC, Inc. (0839); Kmart of Michigan, Inc. (1696); Kmart of Washington LLC (8898); Kmart Stores of Illinois LLC (8897); Kmart Stores of Texas LLC (8915); MyGofer LLC (5531); Sears Brands Business Unit Corporation (4658); Sears Holdings Publishing Company, LLC. (5554); Sears Protection Company (Florida), L.L.C. (4239); SHC Desert Springs, LLC (None); SOE, Inc. (9616); StarWest, LLC (5379); STI Merchandising, Inc. (0188); Troy Coolidge No. 13, LLC (None); BlueLight.com, Inc. (7034); Sears Brands, L.L.C. (4664); Sears Buying Services, Inc. (6533); Kmart.com LLC (9022); Sears Brands Management Corporation (5365); and SRe Holding Corporation (4816). The location of the Debtors’ corporate headquarters is 3333 Beverly Road, Hoffman Estates, Illinois 60179.

<sup>2</sup> Capitalized terms not otherwise herein defined shall have the meanings ascribed to such terms in the Retention Order.

“**Monthly Report**”) on compensation earned and expenses incurred for the period commencing on January 1, 2019 through and including January 31, 2019 (the “**Reporting Period**”).

During the Reporting Period, M-III incurred total fees and expenses of \$1,999,461.41, comprised of \$1,935,172.50 of fees and \$64,288.91 of expenses. Pursuant to the terms of its engagement letter, as approved by an Order of this Court, dated November 19, 2018 [ECF No. 814], upon the consummation of the sale of substantially all of the Debtors’ assets to Transform Holdco LLC on February 11, 2019, M-III earned a Transaction Fee of \$2,000,000. The total compensation owing to M-III under this Fourth Monthly Fee Statement is \$3,999,461.41.

2. During the Reporting Period, M-III provided services central to the Debtors’ restructuring process, including:

- a. Chief Restructuring Officer: Mohsin Y. Meghji in his role as Chief Restructuring Officer, continued to provide day-to-day oversight regarding issues including but not limited to: employee and vendor communications, cash/liquidity management, vendor relations and negotiations, store closures and liquidations, the asset sale process, and other Chapter 11 reporting requirements, as well as supervising all activity by the M-III team and liaising with the Company’s management team.
- b. Asset Disposition: M-III prepared for and attended the liquidation auction. M-III also prepared for and attended the sale auction. M-III prepared various analyses and assisted in preparing the Asset Purchase Agreement and Transition Services Agreement in conjunction with counsel and the investment banker related to the sale.
- c. Business Operations: On an ongoing basis, M-III assisted the Debtors with issues related to operating as a debtor-in-possession operating in chapter 11 such as employee, insurance, landlord disputes and other similar issues. M-III assisted the Debtors with all vendor related items including, but not limited to, vendor strategy, negotiation, settlements, stipulations, critical vendors and shippers/warehousemen agreements, and advised the Debtors on general accounts payable questions.
- d. Business Plan and Operational Improvements: On an ongoing basis, M-III assisted the Debtors in the identification and implementation of operational improvement activities and cost reductions including SG&A analysis, marketing analysis, store level due diligence and creditor due diligence requests.

- e. Case Administration: On an ongoing basis, M-III advised and assisted the Debtors with respect to internal and external communications planning and documentation. M-III also prepared for and attended Bankruptcy Court hearings. M-III also completed analysis and assisted the Debtors on various motions including Ordinary Course Professionals including exhibits and on entry of Orders to implement required reporting and other activities contemplated by the various filed motions. M-III also prepared for and participated in strategic meetings with Debtors' counsel.
- f. Claims Administration and Objections: On an ongoing basis, M-III advised and assisted the Debtors with the claims planning process.
- g. Corporate Governance and Board Matters: On an ongoing basis, M-III prepared for and participated in Board Meetings and meetings of the Restructuring Committee of the Board.
- h. DIP Reporting: On an ongoing basis, M-III prepared weekly reports to illustrate cash flows and liquidity as compared to DIP Budget projections including related methodologies, as well as cash management planning. M-III distributed the weekly variance reports to the DIP ABL Lenders, the DIP Term Lenders, and the financial advisors to the Creditors' Committee, and addressed questions from these parties, as they arose.
- i. Employee Benefits and Pensions: On an ongoing basis, M-III assisted the Debtors with various employee and retiree benefit issues, including compensation, bonuses, severance, insurance benefits. M-III also worked with management and the Debtors other stakeholders to implement the KEIP/KERP Plan.
- j. Employment and Fee Applications: M-III prepared its monthly invoice in compliance with its retention order. M-III also coordinated with the company to submit professional fee invoices for payment and updated the professional fee reporting.
- k. Litigation: M-III aggregated discovery materials in response to the subpoena served to M-III and prepared for depositions.
- l. Meetings and Communications with Creditors: On an ongoing basis, M-III prepared for and participated in meetings and teleconferences with the ABL/DIP Lenders, Cyrus as the junior DIP Lender, the Official Committee of Unsecured Creditors and their respective advisors.
- m. Meetings and Communications with Bank Advisors: On an ongoing basis, M-III prepared and participated in meetings and teleconferences with Debtors' secured DIP lenders and advisors.
- n. Meetings and Communications with Restructuring Committee: On an ongoing basis, M-III prepared and participated in meetings and teleconferences with Debtors' Restructuring Committee.

- o. Real Estate – Assumption and Rejection of Leases and Contracts: On an ongoing basis, M-III assisted the Debtors with lease analyses, potential assumption or rejection of leases, lease negotiation, and execution of lease strategy. M-III assisted with the potential assumption and assignment of executory contracts in connection with the Global Sale Transaction.
  - p. Real Estate – GOB Analysis/Reporting: On an ongoing basis, M-III assisted the Debtors with analysis and reporting related to the GOBs including aggregating data related to noticing appropriate parties related to the GOBs.
  - q. Real Estate – Unencumbered Real Estate Sales & Analysis: On an ongoing basis, assisted the Debtors in due diligence, analysis and reporting related to the unencumbered real estate. M-III added numerous users to the Virtual DataRoom.
  - r. Reporting: On an ongoing basis, M-III assisted with matters related to the US Trustee, assisted the Debtors with accounting related items including but not limited to, pre-petition claims payment processes, aggregating monthly bank statements, updating the master list of bank accounts, Monthly Operating Report (MOR), calculating and submitting the US Trustee quarterly fees for payment, Statements of Financial Affairs (SOFAs), Statements of Assets and Liabilities (SOALs), 2015.3 Report and other accounting related items.
  - s. Wind-Down Budget: On an ongoing basis, M-III assisted the Debtors in revising and updating a Wind-Down Budget as required by the terms of the DIP loan and as an alternative to the going concern sales process.
3. **Exhibit A** attached hereto includes a list of the personnel that provided services to the Debtors during the Reporting Period, their respective titles, their respective billing rates, the aggregate hours spent by each individual, and the total compensation earned by each individual. The summary also includes M-III's Transaction Fee.
4. **Exhibit B** attached hereto is a breakdown of the reasonable expenses incurred by M-III during the Reporting Period.
5. **Exhibit C** attached hereto includes M-III's Transaction Fee.

Dated: February 28, 2019  
New York, New York

By: /s/ **Mohsin Y. Meghji**

Mohsin Y. Meghji  
Managing Member  
M-III Advisory Partners, LP  
130 West 42<sup>nd</sup> St.,  
17<sup>th</sup> Floor  
New York, NY 10036

**Exhibit A**

Case No.: 18-23538 (RDD)

Case Name: Sears Holdings Corporation

M-III Advisory Partners, LP

January 1, 2019 Through January 31, 2019 and Transaction Fee

**EXHIBIT A**

Summary of Compensation Sought for the Reporting Period (January 1 - January 31, 2019) and Transaction Fee

TOTAL HOURS	TOTAL FEES (a)	TOTAL EXPENSES (b)	TOTAL COMPENSATION	MONTHLY COMPENSATION FEES (100%)	MONTHLY COMPENSATION EXPENSES (100%)	TRANSACTION FEE	TOTAL MONTHLY COMPENSATION AND TRANSACTION FEE
4,154.5	\$1,935,172.50	\$64,288.91	\$1,999,461.41	\$1,935,172.50	\$64,288.91	\$2,000,000.00	\$3,999,461.41

**Note(s):**

(a) Total fees of \$1,935,172.50 includes \$900,000 for hours billed as a fixed fee and \$1,035,172.50 for professionals billed on an hourly basis.

(b) Total expenses are net of voluntary reductions of \$4,960.50, as set forth in Exhibit B below.

**Case No.: 18-23538 (RDD)**

**Case Name: Sears Holdings Corporation**

**M-III Advisory Partners, LP**

January 1, 2019 Through January 31, 2019

**Summary of Hours Billed by Professional Fixed Fee**

<b>Employee Name</b>	<b>Initial</b>	<b>Title</b>	<b>Total Hours</b>	<b>Total</b>
Meghji, Mohsin	MM	Managing Partner	255.0	\$0.00
Griffith, Brian	BG	Managing Director	249.3	-
Good, Christopher	CG	Director	260.1	-
Korycki, Mary	MK	Director	232.5	-
Tanaka, Kevin	KT	Vice President	176.0	-
Acevedo, Enrique	EA	Vice President	216.7	-
Sima, Wesley	WS	Vice President	300.8	-
Zatzkin, Noah	NZ	Senior Associate	224.5	-
Frantz, Joseph	JF	Senior Associate	273.6	-
Weber, Nicholas	NW	Senior Analyst	258.1	-
Ramnani, Ravi	RR	Analyst	54.0	-
<b>Total (a)</b>			<b>2,500.6</b>	<b>\$900,000.00</b>

**Note(s):**

- (a) Per Debtors' Application for entry of an order Authorizing the Debtors to retain M-III Advisory Partners, LP to provide a Chief Restructuring Officers and certain additional personnel for Debtors Nunc Pro Tunc to commencement date; paragraph 20(i) [ECF No. 328] Compensation for Services. In accordance with the terms of the Engagement Letter, M-III shall be entitled to non-refundable professional fees at a flat rate of (a) during such time as the Core Team is comprised of the CRO plus ten (10) additional professionals, \$900,000 per month and (b) during such time as the Core Team is comprised of the CRO plus eight (8) additional professionals, \$750,000 per month. If additional staffing is required, additional professionals will be billed at a rate which is \$50 less than M-III's standard hourly rates. [ECF No. 328]



**Case No.: 18-23538 (RDD)**

**Case Name: Sears Holdings Corporation**

**M-III Advisory Partners, LP**

January 1, 2019 Through January 31, 2019

**Summary of Hours Billed by Professional**

Employee Name	Initial	Title	Total Hours	Rate (a)	Total
Adams, Colin	CA	Managing Director	243.1	\$925	\$224,867.50
Gallagher, William	WG	Managing Director	221.3	\$925	204,702.50
Garner, Charles	GC	Managing Director	5.8	\$925	5,365.00
Murphy, William	WM	Senior Director	125.0	\$725	90,625.00
Bonnell, Trenton	TB	Director	234.3	\$625	146,437.50
Boffi, Jonathan	JB	Vice President	285.7	\$550	157,135.00
Allan, Daniel	DA	Senior Associate	260.4	\$450	117,180.00
Smith, Andrew	AS	Senior Associate	35.8	\$450	16,110.00
Stoker, Clayton	CS	Analyst	238.7	\$300	71,610.00
Lamb, Trevor	TL	Analyst	3.8	\$300	1,140.00
<b>Total</b>			<b>1,653.9</b>		<b>\$1,035,172.50</b>

**Note(s):**

- (a) Per Debtors' Application for entry of an order Authorizing the Debtors to retain M-III Advisory Partners, LP to provide a Chief Restructuring Officers and certain additional personnel for Debtors Nunc Pro Tunc to commencement date; paragraph 20(i) [ECF No. 328] Compensation for Services. In accordance with the terms of the Engagement Letter, M-III shall be entitled to non-refundable professional fees at a flat rate of (a) during such time as the Core Team is comprised of the CRO plus ten (10) additional professionals, \$900,000 per month and (b) during such time as the Core Team is comprised of the CRO plus eight (8) additional professionals, \$750,000 per month. If additional staffing is required, additional professionals will be billed at a rate which is \$50 less than M-III's standard hourly rates. [ECF No. 328]

**Exhibit B**

**Case No.: 18-23538 (RDD)**

**Case Name: Sears Holdings Corporation**

**M-III Advisory Partners, LP**

January 1, 2019 Through January 31, 2019

**Summary of Necessary Expenses Incurred**

<b>Description</b>	<b>Total</b>
Air Travel	\$21,188.56
Hotels	15,841.85
Meals (Local) (a)	5,907.13
Meals (Out of Town) (b)	6,191.24
Rental Car	6,966.08
Taxi/Car Service/Mileage	8,153.53
Telephone/Internet	4,317.16
Miscellaneous	683.86
Sub-Total Before Reductions	69,249.41
Voluntary Reductions	(4,960.50)
<b>Total (c)</b>	<b>\$64,288.91</b>

**Note(s):**

- (a) Meals (Local): Per person meal expenses have been capped at \$20 (dinner).
- (b) Meals (Out of Town): Per person meal expenses have been capped at \$25 (breakfast) and \$55 (dinner).
- (c) Total amounts are based on M-III's expense reporting system as of the date of this Monthly Report, and may not be reflective of all expenses incurred during the Reporting Period. As such, future monthly reports may include expenses incurred during the Reporting Period.

**Exhibit C**

**Case No.: 18-23538 (RDD)**  
**Case Name: Sears Holdings Corporation**  
**M-III Advisory Partners, LP**  
**Transaction Fee**

<b>TRANSACTION FEE (a)</b>
\$2,000,000.00

**Note(s):**

- (a) Per Debtors' Application for entry of an order Authorizing the Debtors to retain M-III Advisory Partners, LP to provide a Chief Restructuring Officer and certain additional personnel for Debtors Nunc Pro Tunc to the commencement date; paragraph 20(iii) [ECF No. 328]  
Transaction Fee: In addition to all other compensation provided for herein, M-III shall be entitled to an additional fee equal to (a) \$2,000,000, if a material portion of the business of the Debtors is sold through one or more section 363 or other sales within six months following the Commencement Date or emerges from bankruptcy as a going concern, or (b) \$1,000,000, if a material portion of the business of the Debtors is sold through one or more section 363 or other sales within nine months following the Commencement Date or emerges from bankruptcy as a going concern. [ECF No. 328]